

ANNEXURE 7

RATES POLICY

1. BACKGROUND

In 2005, the **City of Cape Town ("the City")** initiated a process to prepare a General Valuation Roll of all property situated within the geographical boundaries of the City in terms of the Local Government : Municipal Property Rates Act 6 of 2004 (MPRA) which became operative on 2 July 2005. This Policy is formulated in terms of Section 3 of Chapter 2 of the MPRA.

2. LEGISLATIVE CONTEXT

2.1 In terms of Section 229 of the Constitution, a municipality may impose rates on property.

2.2 In terms of Section 4 (1) (c) of the Municipal Systems Act, Act 32 of 2000, a municipality has the right to finance the affairs of the municipality by imposing, *inter alia*, rates on property.

2.3 In terms of Section 2 (1) of the MPRA a metropolitan or local municipality may levy a rate on property in its area in accordance with the other provisions of the MPRA.

2.4 This policy must be read together with, and is subject to the provisions of the MPRA.

3. GUIDING PRINCIPLES

The City's Rates Policy is based on the following principles:

- equity,
- affordability,
- poverty alleviation,
- social and economic development,
- financial sustainability and
- cost efficiency.

4. DEFINITIONS

In addition to the definitions contained in the MPRA, the following definition applies for the purposes of the application of the City's Rates Policy: -

“ratepayer” means a person or entity that is liable, in terms of the MPRA, for the payment of rates on property levied by the **City**;

“residential property” means improved property that is:

- used predominantly (60% or more) for residential purposes, with not more than two dwelling units per property, and includes any adjoining property registered in the name of the same owner and used together with such residential property as if it were one property. (Any such grouping shall be regarded as one residential property for rate rebate or valuation reduction purposes.), or
- a unit registered in terms of the Sectional Title Act, used predominantly for residential purposes, and includes any unit in the same Sectional Title Scheme registered in the name of the same owner which is used together with the residential unit as if it were one property, for example a garage or servant's quarters. (Any such grouping shall be regarded as one residential property for rate rebate or valuation reduction purposes.), or
- owned by a share-block company and used solely for residential purposes , or
- a residence used for residential purposes situated on property used for or related to educational purposes.

For the sake of clarity, the following properties are specifically excluded from the definition: hostels, flats, old age homes, guesthouses, retirement villages, life right schemes and any vacant land irrespective of its zoning or intended usage.

5. PRINCIPLES

- 5.1 Rates are levied in accordance with the MPRA as a cent in the rand based on the property value contained in the City of Cape Town's Valuation Roll of 2006.
- 5.2 As allowed for in the MPRA, the City of Cape Town has chosen to differentiate between various categories of property and owners of property. Some categories of property and categories of owners are granted relief from rates. However, the City of Cape Town does not grant relief in respect of payments for rates to any category of owners or properties, or to owners of properties on an individual basis, other than by way of an exemption, rebate or reduction provided for in this Rates Policy.
- 5.3 There are two categories of rating, residential as defined in 6.1 below and all other properties are defined as non-residential (the latter includes all undeveloped land).

6. APPLICATION OF THE RATES POLICY

6.1 Residential property

6.1.1 The City will not levy a rate on the first R88 000 of the market value of properties as follows:-

- on the first R15 000 on the basis set out in section 17 (1) (h) of the MPRA;
- on the further R73,000 in respect of residential properties; as an important part of the City's indigent relief measures aimed primarily at alleviating poverty amongst those persons owning low-cost properties.

6.1.2 The City may grant a further residential rebate on rates levied on the balance of the market value of residential properties, if any, as determined by Council during the City's budget process.

6.2 State Owned Property

State owned property no longer qualifies for any rates rebate by virtue of ownership. However, the exemptions, rebates and reductions relating to the usage of properties as specified in this Property Rates Policy would apply.

6.3 Public Service Infrastructure

Public service infrastructure (as defined in the MPRA) may not be rated on the first 30% of its market value in terms of Section 17(1) (a) of the MPRA.

6.4 Agricultural

The City grants a 90% rates rebate to qualifying agricultural properties as a result of, and taking into account, limited rate-funded services supplied to such properties in general, the contribution of agriculture to the local economy, the extent to which agriculture assists in meeting the service delivery and development obligations of the municipality, and the contribution of agriculture to the social and economic welfare of farm workers.

Owners of qualifying agricultural properties must apply for the rebate on an annual basis by 30 September, failing which no such rebate may be granted for that financial year.

Council reserves the right to inspect such properties before or after granting such rebates and to revoke or amend any decision made prior to such investigation.

No other rebates will be granted to properties that qualify for the agricultural rebate. For the avoidance of doubt, properties that qualify for the agricultural rebate will not be entitled to the residential rate rebate as set out in paragraph 6.1.2.

6.4.1 Farms

The registered owner of the property has to apply for the agricultural rebate and provide Council with information specified by the Council in an affidavit by 30 September each year, and declare in an affidavit that no contraventions of the zoning scheme are taking place on the property. Qualifying requirements are that the owner should be taxed by SARS as a farmer and the last tax assessment must be provided as proof, or where the owner is not taxed as a farmer, proof is required that income from farming activities exceeds 40% of the household income.

Owners of farms with a residential component and limited agricultural activities may apply to receive the residential rebate and valuation reduction. The owner must apply to Council by 30 September of each year, and declare in an affidavit that no contraventions of the zoning scheme are taking place on the property. The owners of these properties, should they meet the relevant criteria, are not precluded from applying for a Senior Citizens and Disabled Persons Rate Rebate, in terms of the Council's indigent relief measures.

Farms being used 40% or more of the extent for commercial or industrial purposes (such as truck depots, construction yards or factories) do not qualify for any rebates or valuation reductions. Farms used in contravention of the zoning scheme will be reported to the Planning Directorate.

6.4.2 Smallholdings

There are three categories of smallholdings:

- those that qualify for the agricultural rebate (see above)
- those that are primarily residential in nature and will qualify in terms of the definition of residential property for the residential rate rebate and valuation reduction. The owner must apply to Council by 30 September of each year, and declare in an affidavit that no contraventions of the zoning scheme take place on the property. The owners of these properties, should they meet the relevant criteria, are not precluded from applying for a Senior Citizens and Disabled Persons Rate Rebate, in terms of the Council's indigent relief measures, and
- those being used 40% or more of the extent for commercial or industrial purposes (such as truck depots, construction yards or factories), which do not qualify for any rebates or valuation reductions. Smallholdings used in contravention of the zoning scheme will be reported to the Planning Directorate.

6.5 Multiple use properties

Properties used for multiple purposes which do not fall within the definition of residential properties and, accordingly, do not qualify for the residential rates rebate, may be included into the category of multiple use properties, for which an apportionment of value for each distinct use of the property will be calculated and used for billing at the appropriate and applicable rate.

6.6 Municipal Properties

Only municipal properties used by any one of the four trading undertakings i.e. Electricity, Water, Sanitation & Solid Waste, will be rated,

Council rented properties, save for the Council Public Rented Stock, will also be rated.

6.7 Senior Citizens and Disabled Persons Rate Rebate

Registered owners of properties who are senior citizens and/or registered owners of properties who are disabled persons qualify for special rebates according to gross monthly household income. To qualify for the rebate(s) a property owner must be a natural person and the owner of a property which satisfies the requirements for the residential rebate and must on 1 July of the financial year:

- occupy the property as his/her normal residence; and
- be at least 60 years of age or in receipt of a disability pension from the Department of Social Development; and
- be in receipt of a total monthly income from all sources (including income of spouses of owners) not exceeding R5 000; and
- not be the owner of more than one property; and
- provided that where the owner is unable to occupy the property due to no fault of his/her own, the spouse or minor children may satisfy the occupancy requirement; and
- submit the application by 30 September for this rebate for the current financial year, failing which the rebate will not be granted.

The percentage rebate granted to different monthly household income levels will be determined according to the schedule below.

The proposed incomes and rebates for the 2007/2008 financial year are as follows:

Gross Monthly Household Income				% Rebate
2006/2007		2007/2008		
0	1500	0	1740	100%
1501	1650	1741	2130	88%
1651	1750	2131	2520	75%
1751	1850	2521	2910	62%
1851	2100	2911	3300	49%
2101	2300	3301	3690	36%
2301	2600	3691	4080	23%
2601	3000	4081	4500	11%
n/a	n/a	4501	5000	10%

6.8 Conservation Land

Private property contracted into the Table Mountain National Park, in terms of the National Environmental Management: Protected Areas Act, 2003 ("Protected Areas Act"), will be granted 100% rebate of rates for the year in which an agreement is concluded between the owner of the property and SANParks and for each year that the owner forgoes beneficial occupation/use of the land.

Section 17(1) (e) of the MPRA precludes Council from levying rates on those parts of a special nature reserve, national park or nature reserve within the meaning of the Protected Areas Act, or of a national botanical garden within the meaning of the National Environmental Management: Biodiversity Act, 2004, which are not developed or used for commercial, farming or residential purposes. The apportioned value of any portion of such properties utilized for any purpose other than that used for such conservation purposes will be rated accordingly.

6.9 Religious Organisations

In terms of section 17(1)(i) of the MPRA, the City may not levy a rate on property registered in the name of and used primarily as a place of public worship by a religious community, including an official residence registered in the name of that community which is occupied by an office bearer of that community who officiates at services at that place of worship.

6.10 Non-Profit Organizations /Public Benefit Organizations

The City may grant a 100% reduction in the rates for the categories of non-profit organisations or public benefit organisations listed below. These categories of properties and owners of properties are deemed to contribute services or benefits to the community and are essentially non-profit organisations. The reductions are granted after applications made by owners on annual basis have been considered. Owners who fail to apply for the rebate by 30 September will not be entitled to the rebate for that financial year.

In order to be considered, the organisations listed below must either be registered as NPO's under the Non-Profit Organisations Act, 71 of 1997 or be public benefit organizations that qualify for tax exemption as contemplated by Part 1 of the Ninth Schedule of the Income Tax Act, 58 of 1962.

6.10.1 Health and welfare institutions

Privately owned properties used exclusively as a hospital, clinic, mental hospital, orphanage, non-profit retirement village, old age home or benevolent institution, including workshops used by the inmates, laundry or cafeteria facilities, provided that any profits from the use of the property are used entirely for the benefit of the institution and/or for charitable purposes.

6.10.2 Educational institutions

Property owned by not-for-gain institutions (declared or registered by law) and used for educational purposes including a residence registered in the name of the educational institution and used by full-time employees of the educational institution.

6.10.3 Historical Monuments

Such properties that meet the definition of residential property will receive the applicable residential rebate and valuation reduction.

Should such properties not be used for residential purposes and be registered in the name of private persons, open to the public and not operated for gain, the 100% reduction under this section could be applied for.

6.10.4 Charitable institutions

Properties owned by not-for-gain institutions or public benefit organisations and are used solely for the performance of charitable work.

6.10.5 Sporting bodies

Property used predominantly by an organisation for the purpose of amateur sport and any social activities which are connected with such sports.

6.10.6 Agricultural societies

Property owned by agricultural societies affiliated to the SA Agricultural Union used for the purposes of the society.

6.10.7 Cemeteries and crematoria

Registered in the names of private persons and operated not for gain.

6.10.8 Cultural institutions

Properties declared in terms of the Cultural Institutions Act, Act 29 of 1969 or the Cultural Institutions Act, Act 66 of 1989.

6.10.9 Museums, libraries, art galleries and botanical gardens

Registered in the name of private persons or organisations, open to the public and not operated for gain.

6.10.10 War veterans

Property registered in the name of a trustee or trustees of organisations (as defined in the Social Aid Act, Act 66 of 1989) maintained for the welfare of war veterans and their families.

6.10.11 Youth development organisations

Property owned and/or used by organisations such as the Boy Scouts, Girls Guides, Voortrekkers or organisations the Council deems to be similar.

6.10.12 Animal protection

Property owned or used by institutions/organisations whose exclusive aim is to protect birds, reptiles and other animals on a not-for-gain basis.

7. GENERAL

7.1 All applications required in terms of this policy for exemptions, rebates or reductions must be submitted to the City by 30 September of the financial year in respect of which the rate is levied. If the rebate applied for is granted, the rebate will apply for the full financial year.

7.2 Persons who have submitted false information and/or false affidavits will have the exemptions, rebates or reductions withdrawn with effect from the commencement of the financial year in question, interest raised as provided for in the City's Credit Control and Debt Collection By-Law and further appropriate action may also be taken by the City against them.

7.3 All applications for exemptions, rebates or reductions will require the applicant's municipal accounts to have been paid up to date or the conclusion of a suitable arrangement with the City as provided for in the City's Credit Control and Debt Collection By-Law and Policy, which may include water saving measures.

8. REGULAR REVIEW PROCESSES

The rates policy will be reviewed on an annual basis to ensure that it complies with the City's strategic objectives and with legislation.

9. LIABILITY FOR AND PAYMENT OF RATES

Liability for and payment of rates is further governed by the MPRA and the City's Credit Control and Debt Collection By-Law and Policy.

10. IDENTIFICATION AND QUANTIFICATION OF COSTS AND BENEFITS

The cost to the City and benefit to the local community of exemptions, rebates and reductions and exclusions referred to in sections 17(1)(a),(e),(g)(h) and (i) of the MPRA and rates on properties that must be phased in in terms of section 21 of the MPRA are reflected in the City's budget.